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FM AMEMBASSY BEIRUT

TO RUEHC/SECSTATE WASHDC PRIORITY 6062

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TREASURY FOR SENIOR INVESTMENT OFFICER MARK SPROLES

E.O. 12958: DECL: 10/13/2016

TAGS: EINV PTER ECON LE

SUBJECT: LEBANON: THREE LOCAL BANKS WORTHY CANDIDATES TO  
WORK WITH OPIC AND CITIBANK, N.A.

REF: STATE 166170

Classified By: Charge d'Affaires Christopher Murray. Reason: Sections  
1.4 (b) and (d).

¶1. (SBU) This cable responds to reftel action request. The Embassy finds no reason to object to an Overseas Private Investment Corporation (OPIC) proposed investment guaranty that would result in Citibank N.A. and OPIC together lending to three selected Lebanese banks: Byblos Bank, Bank Mediterranean (now known as BankMed), and Audi Bank. The Embassy supports OPIC's renewed business in Lebanon and particularly its proposed support to local banks to help the financial and private sectors cope with reconstruction needs.

¶2. (SBU) The Embassy made inquiries into the following banks and owners. The owners of Byblos Bank are primarily Dr. Francois S. Bassil, Semaan F. Bassil, Karim S. Bassil, and Joumana Bassil Chelala. The owners of Bank Audi are primarily Deutsche Bank Trust Company Americas, Georges W. Audi, Raymond W. Audi, Marc J. Audi, Lucienne Saradar Azar, Marianne Saradar Barakat, Mario J. Saradar, Marielle Saradar, Maria Saradar, Marie-Claude Saradar, Henriette Saradar, Abdo Jeffi, Salim Meouchi, Mariam N. Al-Sabbah, and Suad H. Al Homaizi. The owners of Bank Mediterranean are primarily Nazeck Hariri, Baha'a Eddine Hariri, Saad Hariri, Ayman Hariri, Fahd Hariri, and Hind Hariri.

¶3. (SBU) The Embassy has made inquiries of a wide variety of USG agencies and local Lebanese contacts and cannot find any evidence that the intended participants in this project have systematically engaged in or been convicted of behavior that would cause the Embassy not to support the project, including but not limited to violations of local anti-corruption laws, money laundering, or terrorist finance. Central Bank officials from the Special Investigation Commission Fighting Money Laundering and Terrorism Finance, leaders of the Lebanese Bankers' Association, and regulatory officials all described the three banks as professionally managed, responsible, and compliant with all laws.

¶4. (S/NF) The Embassy did find a few USG classified (S/NF) allegations that individual accounts in bank branches outside Lebanon were used to finance Hezbollah, and that one bank official in Lebanon in 2003 called a Hezbollah-affiliated account holder to suggest he remove his assets from the bank.

The Embassy assesses that these were individual incidents that do not mar the overall professionalism of the three banks in question.

15. (SBU) Two recent developments in Lebanon are potentially relevant to this project and the local financial sector. First, the GOL warmly welcomes international aid channeled through the Lebanese banking system. Various Finance Ministry officials have told embassy officers they are eager to use Lebanon's banking system to multiply the effectiveness of small foreign reconstruction grants or loans to reach a broader spectrum of the Lebanese private sector. Second, the World Bank Beirut office's lead economist in early October told embassy officers that up to USD 20 million of its USD 70 million reconstruction grant to Lebanon will fund an IFC banking facility to help local banks lend to small and medium enterprises at below market rates. This project is still in the planning stage and it has yet to be determined with which banks the IFC will partner.

MURRAY